The Escape Artists: How Obama's Team Fumbled the Recovery

Noam Scheiber
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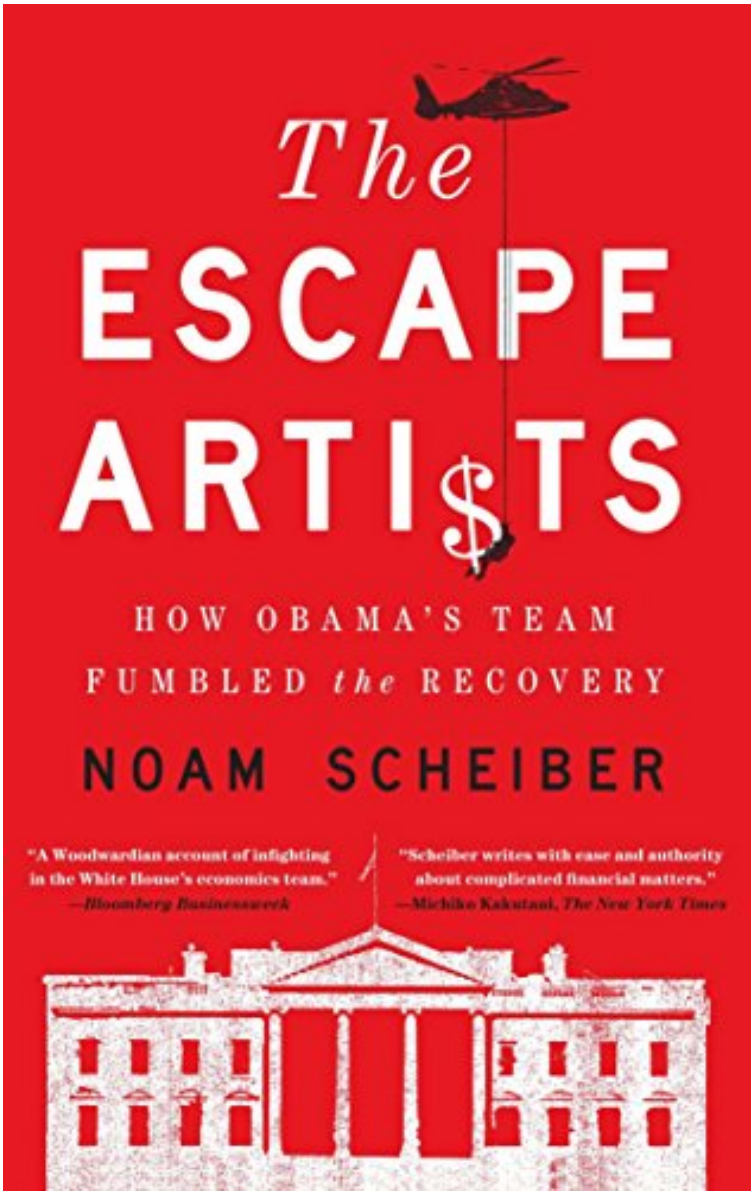

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Noam Scheiber : The Escape Artists: How Obama's Team Fumbled the Recovery before purchasing it in order to gage whether or not it would be worth my time, and all praised The Escape Artists: How Obama's Team Fumbled the Recovery:

1 of 1 people found the following review helpful. ExcellentBy Peter SchuttGreat detail and background on the why and the how key players of the Obama administration including the president unsuccessfully pursued economic recovery policies . The insight into Rahm Emanuel and Larry Summers being reluctant to have any stimulus above an

arbitrary $1T ceiling was a huge mistake and not representative of previous administrations, especially when interest rates and inflation virtually at zero.I was hoping to learn more about the vision Romer wanted Obama to take equivalent to previous demand stimulus packages such as FDR's New Deal with Public Works Administration building large infrastructure projects in roads, bridges, dams, schools etc designed to employ the large unemployed workforce, Eisenhower's interstate highway program sold as a joint civilian and military purpose, and JFK's man on the moon initiative that mobilized the public and industry into science, technology, engineering, and math with the patriotic symbolism as well as the World's envy in the creation of Silicon Valley and enormous technology transfer from federal research and funding.If Obama had a similar scale of investment in the FDR WPA that at its peak employed 3 million or 10% of the workforce, then today's program would employ 13 million. That's a lot of tax payers and revenue who would simultaneously relieve of the social insurance spending for working age adults the GOP abhors. The American Recover Reinvestment Act in January 2009 of $787 billion total, only had half allocated to investment and was spread over three years. Totally inadequate in a economy of $45T in output over the same three year period. This last time in U.S. that investment was this low relatively was the Great Depression.Schiber eloquently reports and opines of Obama and his administration's unfortunate inability to sell a visionary economic investment package that spared local school teachers, policeman, and fireman jobs like Reagan did or pass a gigantic $1.6T tax cut like GWB did to accomplish Obama's goals of job and income growth amidst reforming and innovating banking, healthcare, and energy.1 of 2 people found the following review helpful. Time for a Rewrite?By wsmrerThe complete title How Obama's Team Fumbled the Recovery is now old news, perhaps even forgotten as The President moves into his second term of office. But Scheiber's book is still topical because there is a story buried in it that is timely and one needing development. A good portion of the book deals with how staff is chosen and where they agree and disagree about policy. Scheiber describes how Obama had a few insiders selecting other insiders and reasons for the choices they made.If you focus on one set that was critical, but of different schools of thought, Larry Sumners heading the National Economic Council, and Christina D. Romer, an economics professor at the University of California, Berkeley, and the chairwoman of President Obama's Council of Economic Advisers the issue becomes clear.The difference between them in large part was Sumners was a bundle of attitudes that have served him well reflecting bankers' concerns and polished in the Clinton years, and Romer was reflecting the bulk of studies that have been done about moving depressed economies using Government's role of fiscal and monetary policy. She saw a need for $1.8 trillion stimulus package but faced opposition from Sumners and like minded Geithner and Orszag who favored transferring $700 billion to the banks to offset possible bank failures. Sumner is reported to have commented, "What have you been smoking?" when hearing her recommendations. What was their dividing issue? Scheiber discusses the issues well but does not make it central to his presentation. Read carefully and you will see the seeds of discontent but not the bulk of economic research done that could support better choices.The underlying mind sets were perhaps Romer's reasoning based on Keynesian like analysis; Sumners' on bankers distaste for inflation where loans made are repaid in less valuable currency. Pushing job creation could in time result in inflationary pressures is the assumption. Could they have agreed with one another? Yes, because a depressed economy as it starts to recover puts little if any pressure on price levels and increasing income flows generates tax revenues offsetting government deficits it is thought. The administration chose to focus on easing the bankers created crisis by propping them up at the cost of jobs as Scheiber notes. And as he says the President moved on to health care.This topic is still timely because the banker selected set of priorities are seen reappearing in the second term of Obama's administration and extensively used in EU's austerity choices; price stability and deficit reduction versus lowering unemployment rates. A good follow up would be Austerity: The History of a Dangerous Idea, by Mark Blyth.Perhaps Scheiber will return to this topic with a less interesting story but one that needs to be examined: Can people-central policies ever find their way in modern democratic countries?His insights on how staff is selected today as well as the role of the legislative branch seem to make such policies unlikely occurrences.5 of 7 people found the following review helpful. Strong, Fair PresentationBy Morris MasselHowever you feel about the current administration, I think it is important and helpful to get a fair and balanced account of how it works. Call it due diligence for the 2012 election. The selections below meet that test.The Escape Artists by Noam Scheiber describes the inner workings of the Obama administration's approach to manage the economy. In this well-researched book, Scheiber describes the history of the main actors, including their flaws and strengths, how decisions were made and what the conversations were. This book fits in the Bob Woodward genre; however, unlike Woodward, Scheiber does not use quotations as extensively. While I love reading Woodward, his books seem to quote people so extensively that it is hard to believe that everything is a "real time" quote. Scheiber does a masterful job of explaining the meltdown and the actors involved. Areas that Scheiber tackles is the post-2008 election stimulus package, the deficit fight and the budget standoff. A similar book, Confidence Men, came out in 2011. Similar topics, similar analysis and a bit more Woodward-ian. If the topic appeals to you, you cannot go wrong with either one.

FACING THE WORST ECONOMY SINCE THE 1930S, PRESIDENT BARACK OBAMA HIRED A CRACK TEAM OF ESCAPE ARTISTS: financial wizards who had pulled off numerous white-knuckle getaways during the

Clinton era and who were ready to do it all over again. Three years later, with the economy still in a rut, itrsquo;s clear that they fell far short. This is the inside story of what went wrong. The Escape Artists features previously undisclosed internal documents and extensive, original reporting from the highest levels of the administration. Star White House journalist Noam Scheiber reveals the mistakes and missed opportunities that kept the presidentrsquo;s pedigreed team from steering the economy in the right direction. He shows what responsibility the president bears for those missteps, what bold actions his brain trust refused to take despite its preternatural confidence, and how the White House was regularly outmaneuvered by Republicans in Congress. Tracking the administrationrsquo;s efforts deep into the fall of 2011, The Escape Artists provides a gripping look inside the meeting rooms, in-boxes, and minds of the men who tried to manage the defining crisis of the Obama presidency: how the very qualities that made these men and women escape artists in the 1990s ultimately failed them. nbsp;*** nbsp;THREE YEARS INTO THE OBAMA PRESIDENCY, THE UNEMPLOYMENT RATE WAS PAINFULLY HIGH, THE GAP BETWEEN RICH AND POOR HAD WIDENED, AND THE STIMULUS HAD NOT DONE ENOUGH TO BRING JOBS BACK. WHAT WENT WRONG? A PRESIDENT WITH OTHER PRIORITIES . . . Barack Obama hadnrsquo;t run for president just so he could clean up someone elsersquo;s mess, however urgent the task. Hersquo;d run for president to usher in once-in-a-generation achievements like health care reformmdash;ldquo;to change the trajectory of America.rdquo; Timothy Geithner remarked to President-elect Obama that ldquo;your signature accomplishment is going to be preventing a Great Depression.rdquo; Obamarsquo;s response was slightly jarring. ldquo;Thatrsquo;s not enough for me,rdquo; he said. It dawned on Geithner that he and his colleagues were a sideshow rather than the main attraction. ldquo;If you donrsquo;t do that, nothing else is possible,rdquo; Geithner protested. ldquo;Yeah,rdquo; Obama repeated, ldquo;but thatrsquo;s not enough.rdquo; AN ECONOMIC TEAM RELUCTANT TO TAKE BOLD ACTION . . . David Axelrod was preparing Christina Romer, Obamarsquo;s chief economist, for a Sunday talk show. Many experts were voicing doubts about the size of the original package, and so Axelrod asked, ldquo;Was the stimulus big enough?rdquo; Without hesitating, Romer responded, ldquo;Abso-f---ing-lutely not.rdquo; She said it half-jokingly; Axelrod did not seem amused. AND A BRAIN TRUST THAT BELIEVED IT KNEW BETTER . . . It was the worst of all worlds for the Obama administration: a country that took one look at the languishing economy and another at the recovery on Wall Street and concluded that its government had put big banks ahead of ordinary people. Generously, the SP officials didnrsquo;t point out any of this. Instead, the leader of the group confessed that the agency was mostly concerned about the prospects for bipartisan compromise. At this, Geithner became dismissive. His message was unmistakable: TRUST US, WErsquo;VE DONE THIS BEFORE.

"Scheiber writes with ease and authority about complicated financial matters . . . and proves particularly adept at showing how [the Obama economic team's] personalities, philosophies and previous experiences with one another shaped their interactions and the policy-making process." --Michiko Kakutani, "The New York Times""Diligently reported and informative." --John Cassidy, "The New Yorker""A Woodwardian account of infighting in the White House's economics team . . . Scheiber is a smart, clear-eyed reporter who frames his arguments elegantly." --"Bloomberg Businessweek""""The Escape Artists" is a compelling narrative, deeply reported and beautifully written." --Jonathan Chait, "New York""""The Escape Artists" reads like a Bob Woodward book--albeit better written and informed by a more sophisticated understanding of economics and policymaking." --Daniel Gross, Yahoo! Finance"What Scheiber offers is a judicious, nuanced and ultimately . . . persuasive chronicle of how contentious experts jockeyed to influence a young president stuck with an almost impossible set of chal-lenges. . . . Such sophisticated analysis of how the nation's most powerful officials think--however one regards the wisdom of that thinking--distinguishes Scheiber's book." --Paul M. Barrett, "The New York Times Book ""Noam Scheiber offers a persuasive take on administration policymaking . . . [and] provides a template for future administrations--even a future Obama administration--to avoid the trap of thinking too narrowly and too politically in a crisis." --Matthew Yglesias, "Slate""""The Escape Artists" offers great insight into Obama's self-perception. . . . Scheiber's reporting has naturally sparked a great deal of second-guessing in Democratic circles, and his book will provide plenty of ammunition for the president's liberal critics . . . [and] to those critics on the right who believed that the White House never really earned their trust." --Reihan Salam, "The Daily"About the AuthorNoam Scheiber is a senior editor at The New Republic, writing about politics and Obama administration economic policy. He has written for the New York Times, The Washington Post, New York magazine, and Slate and has appeared on CNN, CNBC, MSNBC, and NPR. He lives in Washington, D.C.Excerpt. copy; Reprinted by permission. All rights reserved. PROLOGUE Shortly after four orsquo;clock on the afternoon of Wednesday, April 13, 2011, U.S. Treasury Secretary Tim Geithner walked down the hall from his office toward a large conference room facing the buildingrsquo;s interior. He was surrounded by a retinue of counselors and aides. When they arrived in the roommdash;known around Treasury simply as ldquo;the largerdquo;mdash;four people were seated at a long walnut table on the side near the door. Geithner and his entourage greeted them, then walked around to the far side and took their seats. At first glance, Geithner gave the impression of the former Wall Street banker many Americans assumed him to be. He wore elegant suits and alpha-male ties. His spread collars suggested a Savile Row provenance. But, given a moment to focus, the eye noticed hints of something

else. His shoes were a bit shabby. On his wrist he wore an old digital watch. The suit, upon closer inspection, was Brooks Brothersmdash;off the rack. It had only seemed nattier because he was well-proportioned and boyishly trim. Geithner wasnrsquo;t an ex-banker after all. He was a lifelong bureaucrat. This status gave him a measure of independence of which he was rightly proud. While friends and former co-workers moved seamlessly from government to business and back, Geithner had resisted the easy payday time and time again. ldquo;I never worked on Wall Street,rdquo; he told a group of congressional Democrats in early 2009. ldquo;Irsquo;ve worked in public service my whole life.rdquo; Where others might be cowed in the presence of bankers, knowing they might soon petition the lords of finance for a sinecure, Geithner could have fun at their expense. As an assistant secretary in the late 1990s, he had once met a delegation from Goldman Sachs to discuss an obscure business matter. ldquo;Well, this is a fucking ugly issue, isnrsquo;t it?rdquo; he said, before anyone else had uttered a word. The Goldman men laughed nervously. But if Geithnerrsquo;s actions were independent, his mind was perhaps less so. As a government official, Geithner cared deeply about the constituents he consulted with, be they Wall Street big shots, financial technocrats, or market pundits. They were the people with whom a successful bureaucrat must have credibility, and there were few thoughts more mortifying to Geithner than looking unsophisticated in their eyes. He labored over draft after draft of his speeches and parsed every word of his op-eds. Back in December 2008, while Geithner was preparing for his Senate confirmation hearing, an aide asked if his family would attend. ldquo;Money will not be daunted by that,rdquo; he said, waving off the suggestion. ldquo;Moneyrdquo; was an allusion to Wall Street and the people whose judgments Wall Street respected. He was keen to make a good impression. By contrast, Geithner was decidedly less taken with those whose views he considered naive. And this explained his impatience with the group he was meeting today. The four visitors hailed from Standard Poorrsquo;s, the credit rating agency. They had come to voice their concern about the U.S. budget deficit, which was darkening their mood about the creditworthiness of the United States. It turned out that SP and its ilk were a species that ldquo;moneyrdquo; held in exceedingly low regard. Long before the financial crisis of 2008, Wall Street had derided the rating agencies as hubs for intellectual mediocritiesmdash;the clock punchers that banks and hedge funds had passed over. Then, in the bubble years, the big banksrsquo; financial engineers became expert at duping the agencies into blessing their dodgy mortgage securities, mostly by burying the agenciesrsquo; leaden-eyed analysts in self-justifying math.1 After the securities turned toxic and the agencies were justly vilified, their pleas of ignorance sounded all too plausible. Many of the SP analysts werenrsquo;t even based in New York. One of the men tasked with rating the trillions of dollars in U.S. government debt worked from an office in . . . Toronto. Now Geithner spoke to the credit raters with thinly concealed skepticism. A few days before the meeting, SP had warned Treasury it intended to downgrade its ldquo;outlookrdquo; on U.S. bonds, the first step toward withdrawing the triple-A status that stamped the bonds as essentially riskless. Geithner made clear he wasnrsquo;t begging SP to change its mind. The feeling inside Treasury was that, if SP moved ahead with this decision, the company would embarrass only itself and not the U.S. government. In this vein, Geithner simply informed the visitors that his countryrsquo;s economic performance had exceeded expectations on almost every measure SP claimed to care about. As for the one where it laggedmdash;the deficitmdash;Geithner pointed out that the president had proposed cutting this by $4 trillion that very morning. Truth be told, Geithner might have offered these comments a bit more humbly. While the economy had indeed outperformed SPrsquo;s most recent predictions, it was still far from healthy. Some 14 million Americans were out of work, and the unemployment rate hovered above 9 percent. Millions had seen their homes foreclosed on or were in danger of defaulting on their mortgages. This was no doubt the work of the worst financial crisis in eighty years. But it was also the result of throwing too few resources at the problem. The administrationrsquo;s $800 billion stimulus package, while critical, had been too small to lift the economy out of its rut. Struggling homeowners never got the help they needed to crawl out from under mounds of debt. At the moment Geithner spoke, the economy was close to stalling, with growth puttering along at a mere 1 percent. About the only part of the economy that resembled its former self was the financial sector, where the traders and bankers were approaching their precrisis-level bonuses.2 There had been plenty of resources for them. The combination of these factors had arguably produced the worst of all worlds for the Obama administration: a country that took one look at the languishing economy and another at the recovery on Wall Street and concluded that its government had put big banks ahead of ordinary workers and homeowners. And so, a populist backlash that had initially targeted Wall Street increasingly took aim at Obama. Generously, the SP officials didnrsquo;t point any of this out. Instead, the de facto spokesman for the group, a mustachioed fellow named David Beers, confessed that the agency was mostly concerned about the prospects for bipartisan compromise. Beers and his colleagues didnrsquo;t think Republicans would take seriously the presidentrsquo;s plan for shrinking the deficit by raising taxes and scaling back programs like Medicare and Medicaid, whatever the theoretical overlap between the two parties. At this, Geithner became somewhat dismissive. He asked how SP could handicap a political debate in Washington. It was a rating agency, after all, not a polling firm. Itrsquo;s not your ldquo;comparative advantage,rdquo; the secretary said. Then he gestured toward the Obama officials seated on either side of himmdash;Jack Lew, the White House budget director; Neal Wolin, the deputy Treasury secretary; Bruce Reed, the vice presidentrsquo;s chief of staffmdash;and explained that all of them had been top aides to Bill Clinton during the last stand-off between a Democratic president and a Republican

Congress. ldquo;We said, lsquo;This is the way it worked in the nineties,rsquo;rdquo; recalled one administration official. ldquo;lsquo;After a big election, when you have divided government, you fight a bit, then find a middle ground.rsquo;rdquo;3 Another recalled arguing, ldquo;When both sides had firmly committed to a goal and the public was in support of it, it eventually had to happen.rdquo;4 The message was unmistakable: Trust us, wersquo;ve done this before. It was, in many ways, the message the Obama economic team had been conveying to skeptics and outsiders since its earliest days in office. Now the same sentiment underlay its decision to put aside the task of creating jobs for much of 2011 and seek a grand bargain with the GOP on the deficit. But Beers wasnrsquo;t biting. Perhaps it was because he didnrsquo;t work in Washington. Perhaps it was that his grasp of congressional budgeting was weak. Or that his knowledge of public opinion was crude. Whatever the case, he couldnrsquo;t suppress his disbelief that a major deficit deal would be forthcoming. ldquo;We think the differences are too big,rdquo; he said. ldquo;You wonrsquo;t be able to do it.rdquo; He proved to be the wise one in the room.copy; 2011 Noam Scheiber